



LIBRARY OF CONGRESS

Copyright Office

[Docket No. 2011-10]

Remedies for Small Copyright Claims: Additional Comments

AGENCY: Copyright Office, Library of Congress.

ACTION: Notice of Inquiry.

SUMMARY: This is the second request for public comment pertaining to a study undertaken by the U.S. Copyright Office at the request of Congress on the topic of adjudicating small copyright claims. The study will assess whether and, if so, how the current legal system hinders or prevents copyright owners from pursuing claims that have a relatively small economic value and will discuss, with appropriate recommendations, potential changes in administrative, regulatory, and statutory authority. At this time, the Office seeks additional comments on some of the possible alternatives. The Copyright Office also announces two public meetings following the comment period, to be held during November 2012 in New York and Los Angeles, respectively.

DATES: Comments are due September 26, 2012.

ADDRESSES: All comments and reply comments shall be submitted electronically. A comment page containing a comment form is posted on the Office website at <http://www.copyright.gov/docs/smallclaims>. The website interface requires commenting parties to complete a form specifying name and organization, as applicable, and to upload comments as an attachment via a browser button. To meet accessibility standards, commenting parties must upload comments in a single file not to exceed six megabytes (MB) in one of the following formats: the Adobe Portable Document File (PDF) format

that contains searchable, accessible text (not an image); Microsoft Word; WordPerfect; Rich Text Format (RTF); or ASCII text file format (not a scanned document). The form and face of the comments must include both the name of the submitter and organization. The Office will post the comments publicly on the Office's website exactly as they are received, along with names and organizations. If electronic submission of comments is not feasible, please contact the Office at 202-707-8350 for special instructions.

PUBLIC MEETINGS: The public meeting in New York will be held in the Jerome Greene Annex of Columbia Law School, 410 West 117th Street, New York, New York 10027, on November 15, 2012 from 9:30 a.m. to 5:30 p.m. and on November 16, 2012 from 9:30 a.m. to 3:30 p.m. The public meeting in Los Angeles will be held in Room 1314 of the UCLA School of Law, 405 Hilgard Avenue, Los Angeles, California 90095, on November 26, 2012 from 9:30 a.m. to 5:30 p.m. and on November 27, 2012 from 9:30 a.m. to 3:30 p.m. The agendas and the process for submitting requests to participate in or observe one of these meetings will be published on the Copyright Office website no later than October 15, 2012.

FOR FURTHER INFORMATION CONTACT: Jacqueline Charlesworth, Senior Counsel, Office of the Register, by email at jcharlesworth@loc.gov or by telephone at 202-707-8350; or Catherine Rowland, Counsel, Office of Policy and International Affairs, by email at crowland@loc.gov or by telephone at 202-707-8350.

SUPPLEMENTARY INFORMATION:

I. Background

At the request of Congress, the Copyright Office is conducting a study to assess whether and, if so, how the current legal system hinders or prevents copyright owners

from pursuing copyright infringement claims that have a relatively small economic value (“small copyright claims” or “small claims”), and to recommend potential changes in administrative, regulatory, and statutory authority to improve the adjudication of such claims. The Office published a general Notice of Inquiry in the fall of 2011 and received numerous comments regarding the current environment in which small copyright claims are (or are not) pursued and possible alternatives to address concerns about the current system. See the original Notice of Inquiry, 76 FR 66758 (Oct. 27, 2011), and comments received in response thereto, which are posted on the Copyright Office website, at <http://www.copyright.gov/docs/smallclaims/comments/>. The Copyright Office also notes the roundtable discussion on small claims sponsored by George Washington University Law School (“GW”) on May 10, 2012. The GW discussion covered topics ranging from constitutional considerations to the definition of a “small claim” to potential features of a streamlined adjudicatory process, and included the participation of both the Copyright Office and the Patent and Trademark Office. *See* http://www.uspto.gov/blog/director/entry/uspto_co_sponsors_ip_small.

At this time, the Copyright Office seeks further input concerning how a copyright small claims system might be structured and function. Accordingly, the Office seeks responses on the specific subjects below (some of which were identified by the Office in its earlier Notice), including from parties who did not previously address those subjects, or those who wish to amplify or clarify their earlier comments or respond to the comments of others. (The Office has studied and will take into consideration the comments already received, so there is no need to restate previously submitted material.) A party choosing to respond to this Notice of Inquiry need not address every subject

below, but the Office requests that responding parties clearly identify and separately address each subject for which a response is submitted.

SUBJECTS OF INQUIRY:

Assuming a system for small copyright claims is created:

1. *Nature of tribunal/process.* Provide a general description of the small claims system you believe would work best. Should it be a streamlined process within the existing Article III court structure, or an alternative process administered by the Copyright Office, the Copyright Royalty Judges, and/or some other type of tribunal? If an alternative process, should it include a right of review by an Article III court? Should the process be adjudicatory in nature, or instead consist of, or include, arbitration or mediation, or be some combination of these? (See below for more specific questions on review/appeals and the potential role of arbitration and/or mediation.)
2. *Voluntary versus mandatory participation.* Explain whether the small claims process would best be structured as a voluntary or mandatory system. Should a prospective plaintiff with a claim that meets the small claims criteria retain the option of choosing the existing federal district court process instead? Should a defendant be permitted to opt out of the small claims forum in favor of federal district court? If one or both parties' participation in the small claims process is voluntary, what incentives – such as damages limitations, attorneys' fees awards, or other features – might be instituted to encourage voluntary participation by plaintiffs and/or defendants?
3. *Arbitration.* Explain what role, if any, arbitration might play in the small claims process. Should matters be decided through some sort of specialized arbitration? Would such arbitration be binding? If so, how would the arbitrator's award be enforced

and under what circumstances, if any, could it be set aside (and how might the Federal Arbitration Act, 9 U.S.C. 1 *et seq.*, apply)? How would arbitrators be trained and selected? Are there any existing arbitration models that might be especially useful as a model for arbitrating small copyright claims?

4. *Mediation.* Explain what role, if any, mediation might play in the small claims system. Should parties be required to participate in mediation before proceeding with a more formal process? Would it be useful to offer a copyright-focused voluntary mediation service? How would mediators be trained and selected?

5. *Settlement.* Please comment on how the small claims process might be structured to encourage voluntary settlements in lieu of litigated proceedings. Should a plaintiff be required to make a settlement offer to a prospective defendant before proceeding with a claim? Should the defendant be required to respond?

6. *Location of tribunal(s).* Could the small claims tribunal be centrally located, or should there be regional venues? If centrally located, where should it be? If in multiple locations, what should those be?

7. *Qualifications and selection of adjudicators.* Who should the adjudicators be? If the small claims system is a streamlined process within the Article III court structure, is there a role for magistrate judges or staff attorneys? If it is an alternative process, what qualifications should the adjudicators have, and how should they be selected?

8. *Eligible works.* Are some types of copyrighted works more amenable to, or in need of, a small claims system than others? Should the small claims process be

limited to certain classes of works, for example, photographs and illustrations, or should it be available for all types of copyrighted works?

9. *Permissible claims.* Discuss the types of claims that could or should be eligible for the small claims process. For example, should the process be limited solely to claims of infringement, or should it be possible to bring a related claim arising out of the same dispute, such as a Lanham Act claim? What about an infringement claim that is tied to a contractual issue, as in the case where the defendant is alleged to have infringed by exceeding the terms of a license? Should issues of copyright ownership be amenable to decision through the small claims process? What about a user's claim that a takedown notice contained a material misrepresentation in violation of the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. 512(f)?

10. *Permissible claim amount.* Assuming there would be a cap on the amount of damages that could be sought by a plaintiff or counterclaimant in the small claims process, what should that amount be? What is the rationale for the cap proposed? Should there be any independent analysis of the damages claim by the tribunal? Should it be permissible for a copyright owner to pursue multiple claims in the same proceeding provided that, either individually or, alternatively, in the aggregate, they do not exceed the cap? What if, during the course of the proceeding, additional infringements are discovered such that the plaintiff's potential damages exceed the cap? What if a defendant asserts a counterclaim that exceeds the cap?

11. *Permissible defenses and counterclaims.* Discuss what limitations, if any, there should be on the types of defenses and counterclaims that could be decided through the small claims process. For example, could a defense of fair use or independent

creation be adjudicated through the process? What about defenses or counterclaims arising under the DMCA, such as an assertion that the plaintiff's claim is subject to one of the safe harbor provisions of 17 U.S.C. 512(a) through (d), or that a takedown notice violated 17 U.S.C. 512(f)? To the extent such defenses or counterclaims were not subject to adjudication through the small claims process and would require removal of the action to federal district court, would this provide defendants with a means to "opt out" of the small claims system in a substantial number of cases?

12. *Registration.* Should registration of the allegedly infringed work be required in order to initiate a claim through the small claims process or, alternatively, should proof of filing of an application for registration suffice? Should the process permit claims to be brought for unregistered works? Should the registration status of a work affect the availability of statutory damages or recovery of attorneys' fees, assuming such remedies are available through the small claims process?

13. *Filing fee.* Discuss the merits of requiring a filing fee to pursue a claim through the small claims process and the amount, if any, that would be appropriate. Should the filing fee vary with the size of the claim? Are there existing standards that might be informative?

14. *Initiation of proceeding.* Explain what would be required to initiate a proceeding. Should some sort of attestation and/or a *prima facie* showing of infringement be required of a copyright owner with the initial filing? Should a copyright owner need to establish a *prima facie* case of infringement before the defendant is required to appear and, if so, how would it be determined that this requirement had been met? By what means would the defendant be served or otherwise notified of the action?

Should a defendant that is sued in federal district court for copyright infringement be permitted to transfer the matter to the small claims tribunal if the plaintiff's alleged damages are within the small claims damages cap? Should a party who has been put on notice of an alleged infringement be able to initiate an action by seeking a declaratory judgment of no infringement?

15. *Representation.* Describe the role of attorneys or other representatives, if any, in a small claims copyright system. Should individual copyright owners be permitted to be represented by an attorney and/or a non-attorney advocate, in addition to appearing *pro se*? Should corporations and other business entities be permitted to appear through employees instead of attorneys?

16. *Conduct of proceedings.* Describe how the small claims proceeding would work. Could the process be conducted by paper submission, without the requirement of personal appearances? Should the tribunal have the option to hold teleconferences or videoconferences in lieu of personal appearances? Should non-party witnesses be permitted to participate and, if so, by what means? Should expert witnesses be permitted? Should the tribunal have any sort of subpoena power? Should there be an established time frame for adjudication of the matter?

17. *Discovery, motion practice and evidence.* Explain what types of discovery, if any, should be permitted in the small claims system. For example, should depositions (either oral or by written question), requests for production of documents, interrogatories and/or requests for admission be permitted and, if so, to what extent? Should motion practice be allowed and, if so, to what extent? What types of testimony

and/or evidence should be accepted (e.g., written, oral, documentary, etc.), and what standards of admissibility, if any, should apply?

18. *Damages.* Describe the damages that would be available through the small claims system. Should damages be limited to actual damages, or could statutory damages also be awarded? If statutory damages were available, should they adhere to the existing statutory damages framework of 17 U.S.C. 504(c) (subject to any cap applicable in the small claims system), or could an alternative approach be adopted, such as a fixed amount to be awarded in the case of a finding of infringement?

19. *Equitable relief.* Describe the equitable relief, if any, that should be available through the small claims system. Should the small claims tribunal be able to grant declaratory relief, issue an injunction to halt the infringing use of a work, impose license terms (such as for the continued distribution of a derivative work) and/or award other forms of equitable relief?

20. *Attorneys' fees and costs.* Explain how attorneys' fees and costs might be handled within the small claims system. Should a prevailing plaintiff and/or defendant be entitled to recover its attorneys' fees and costs? If so, should such fees and costs be awarded according to the standards that have evolved under 17 U.S.C. 505, should they be awarded as a matter of course, or should other criteria apply? Should there be a limit on the amount of attorneys' fees that could be sought and/or awarded in the small claims system?

21. *Record of proceedings.* Describe the record of proceedings that should be kept by the tribunal. Should decisions of the tribunal be rendered in writing? Should

they include factual findings, legal explanation and/or other analysis? Should the records be publicly available?

22. *Effect of adjudication.* Explain the nature and effect of a small claims adjudication. Should a decision of the small claims tribunal constitute a final and enforceable judgment (subject to any further review or appeal)? Should it be published and/or carry any precedential weight? Should it have any *res judicata* or collateral estoppel effect, or should it be limited to the specific activities at issue and parties in question?

23. *Enforceability of judgment.* With respect to monetary judgments and any equitable or other relief awarded by the small claims tribunal, through what means would such remedies be enforceable? Should there be any special procedures for enforcement? Are there existing judicial or nonjudicial resources that might be useful in this regard?

24. *Review/appeals.* Should there be a right of review or appeal and, if so, under what circumstances, and by or to what body or court? What would be the appropriate standard of review (e.g., *de novo*, clearly erroneous, abuse of discretion, etc.)? Aside from any applicable filing fee, should there be any conditions for seeking review (such as posting of a bond)? Should a prevailing party in a review or appeal process be entitled to recover its attorneys' fees or costs?

25. *Group claims.* Should multiple copyright owners or a trade association or other entity acting on behalf of copyright owners be permitted to pursue multiple infringement claims against a single defendant, or multiple defendants, in a single proceeding? Should there be specialized rules of standing or procedures to permit this within the small claims system?

26. *Frivolous claims.* How might the small claims system deter frivolous and unwarranted filings? What measures – such as the awarding of attorneys’ fees or other financial sanctions, or the barring of copyright owners that have repeatedly pursued frivolous claims from further use of the small claims process – might be taken to discourage the assertion of bad faith or harassing infringement claims, defenses and counterclaims?

27. *Constitutional issues.* Comment on whether a small claims system might implicate any one or more of the following constitutional concerns – or any other constitutional issue – and, if so, how the particular concern might be addressed:

- a. Separation of powers questions arising from the creation of specialized tribunals outside of the Article III framework, including how a right of review by an Article III court might impact the analysis;
- b. The Seventh Amendment right to have a copyright infringement case tried to a jury, as confirmed in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998);
- c. Constitutional requirements for a court’s assertion of personal jurisdiction, in particular when adjudicating claims of a defendant located in another state; and/or
- d. Due process considerations arising from abbreviated procedures that impose limitations on briefing, discovery, testimony, evidence, appellate review, etc.

28. *State court alternative.* As an alternative to creating a small claims system at a federal level, should the statutory mandate of exclusive federal jurisdiction for

copyright claims be altered to allow small copyright claims to be pursued through existing state court systems, including traditional state small claims courts? What benefits or problems might flow from such a change?

29. *Empirical data.* Commenting parties are invited to cite and submit further empirical data (in addition to the anecdotal and survey information already cited or submitted to the Copyright Office in connection with this proceeding) bearing upon:

- a. Whether copyright owners are or are not pursuing small infringement claims through the existing federal court process, and the factors that influence copyright owners' decisions in that regard, including the value of claims pursued or forgone;
- b. The overall cost to a plaintiff and/or a defendant to litigate a copyright infringement action to conclusion in federal court, including costs and attorneys' fees, discovery expenditures, expert witness fees and other expenses (with reference to the stage of proceedings at which the matter was concluded);
- c. The frequency with which courts award costs and/or attorneys' fees to prevailing parties pursuant to 17 U.S.C. 505, and the amount of such awards in relation to the underlying claim or recovery; and/or
- d. The frequency with which litigants decline to accept an outcome in state small claims court and seek *de novo* review (with or without a jury trial) or file an appeal in a different court.

30. *Funding considerations.* Aside from filing fees, by what means might a small claims system be partially or wholly self-supporting? Should winning and/or

losing parties be required to defray the administrative costs of the tribunal's consideration of their matter, in all or in part? If so, by what means? If the system consists of or includes arbitration or mediation, should parties bear the cost of these alternatives?

31. *Evaluation of small claims system.* Should the small claims system be evaluated for efficacy and, if so, how? Should it be subject to periodic review or adjustment? Should it be launched initially as a pilot program or on a limited basis?

32. *Other issues.* Are there any additional pertinent issues not identified above that the Copyright Office should consider in conducting its study?

Dated: August 20, 2012

Maria A. Pallante,
Register of Copyrights

[BILLING CODE 1410-30-P]

[FR Doc. 2012-20802 Filed 08/22/2012 at 8:45 am; Publication Date: 08/23/2012]